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FISCAL IMPACT REPORT

SPONSOR Soules ORIGINAL DATE 2/1/2021
LAST UPDATED _____ HB _____
SHORT TITLE Surety Bond for Driver Education School SB 106
ANALYST Gaussoin

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	NFI	NFI			

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Transportation (DOT)

SUMMARY

Synopsis of Bill

Senate Bill 106 (SB106) raises the surety bond that must be posted by driver education schools under Section 66-10-6E NMSA 1978 from \$5,000 to \$15 thousand.

There is no effective date of this bill. It is assumed the effective date is 90 days following adjournment of the Legislature.

FISCAL IMPLICATIONS

SB106 will not cost any state agency any money or create additional responsibilities.

SIGNIFICANT ISSUES

The Transportation Safety Division of NMDOT, which oversees driver education schools, reports it has filed against the surety bonds of seven driver education schools over the last eight years and the \$5,000 surety bond fell short of adequately compensating students for the loss of schools fees on closure of a school. Students received average compensation of \$71.21, while the average cost of a private driver education course is \$337, TSD reports.

Based on a selective list from TSD, New Mexico’s current \$5,000 surety bond requirement falls below that of many states. (Notably, the bill’s tracking number indicates it was drafted on behalf of a state agency.) From TSD:

The surety bond assures the satisfactory performance of all contracts with students, including tuition refund agreements, and the maintenance of student records. The cost of a bond for each school is approximately \$100-\$125 for each \$5,000 of coverage.

State	Surety Bond Type	Bond Amount
California	Driver Education School Bond	\$10,000
Colorado	Driver Education School Bond	\$10,000
Connecticut	Driver Education School Bond	\$15,000
Georgia	Driver Education School Bond	\$10,000
Illinois	Driver Education School Bond	\$10,000
Iowa	Driver Education School Bond	\$50,000
Maine	Driver Education School Bond	\$10,000
Maryland	Driver Education School Bond	\$50,000
Massachusetts	Driver Education School Bond	\$10,000
Michigan	Driver Education School Bond	1-999 students: \$20,000 1000 or more students: \$40,000
Minnesota	Driver Education School Bond	1-100 students: \$10,000 101-500: \$20,000 501 or more: \$30,000
Nevada	Driver Education School Bond	\$10,000
New Jersey	Driver Education School Bond	\$10,000
New Mexico	Driver Education School Bond	\$5,000
North Carolina	Driver Education School Bond	\$20,000
South Carolina	Driver Education School Bond	\$10,000
Texas	Driver Education School Bond	Primary location: \$10,000 Each branch location: \$5,000
Utah	Driver Education School Bond	\$1,000,000 coverage
Virginia	Driver Education School Bond	\$5,000
Wisconsin	Driver Education School Bond	1-300 students: \$5,000 301-1100: \$10,000 1101 or more: \$15,000
Source: Transportation Safety Division		

TSD adds there are currently 41 certified driver education schools licensed by NMDOT.

HG/al